

ORIGINAL



0000063110

TACNA WATER MANAGEMENT CO

2993 S ARIZONA AVENUE YUMA, AZ 85365

PH 928-341-9885 FAX 928-341-0180

50

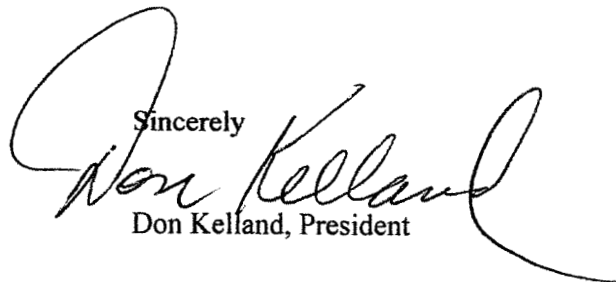
July 10, 2006

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Re: Compliance to revision of tax info 2002, 2003, 2004. DOCKET NO. ~~W-01344A-05-0183~~,
and DOCKET NO. W-01344A-05-0647.

Attached are Federal form 1120-A U S-Corporation and State Arizona Corporation form 120A
(Fed and State are stapled together) for 2002, 2003, and 2004. If you have any questions please
call Don or Steve Kelland at 928-341-9885.

Sincerely

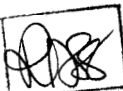


Don Kelland, President

Arizona Corporation Commission
DOCKETED

JAN 19 2007

DOCKETED BY



AZ CORP COMMISSION
DOCUMENT CONTROL

2007 JAN 19 12 3:57

RECEIVED

2002 Corporate Return
prepared for:

Tacna Water Management Company
2993 S. Arizona Avenue
Yuma, AZ 85364

Misenhimer, Aivazian & Tennant, P.C.
PO Box 5693
Yuma, AZ 85366-5693

Form **1120-A** Department of the Treasury Internal Revenue Service
U.S. Corporation Short-Form
Income Tax Return

2002

See separate instructions to make sure the corporation qualifies to file Form 1120-A.

IRS use only — Do not write or staple in this space.

For calendar year 2002 or tax year beginning , 2002, ending , 20 OMB No. 1545-0890

A Check this box if the corporation is a personal service corporation (as defined in Regulations section 1.441-3(c) see instructions). <input type="checkbox"/>	Use IRS label. Otherwise, print or type.	Tacna Water Management Company 2993 S. Arizona Avenue Yuma, AZ 85364	B Employer ID number 20-5811082
			C Date incorporated 1/01/2002
			D Total assets (see instructions) \$ 0.

E Check applicable boxes: (1) ☒ Initial return (2) ☐ Name change (3) ☐ Address change

F Check method of accounting: (1) ☒ Cash (2) ☐ Accrual (3) ☐ Other (specify) . . . ▶

I N C O M E	1 a Gross receipts or sales . . .	27,999.	b Less returns & allowances . . .	c Balance ▶	1 c	27,999.
	2 Cost of goods sold (see instructions) . . .				2	
	3 Gross profit. Subtract line 2 from line 1c . . .				3	27,999.
	4 Domestic corporation dividends subject to the 70% deduction . . .				4	
	5 Interest . . .				5	
	6 Gross rents . . .				6	
	7 Gross royalties . . .				7	
	8 Capital gain net income (attach Schedule D (Form 1120)) . . .				8	
	9 Net gain or (loss) from Form 4797, Part II, line 18 (attach Form 4797) . . .				9	
	10 Other income (see instructions) . . .				10	
	11 Total income. Add lines 3 through 10. . . ▶				11	27,999.
D E D U C T I O N S S E E I N S T R U C T I O N S	12 Compensation of officers (see instructions) . . .				12	
	13 Salaries and wages (less employment credits) . . .				13	
	14 Repairs and maintenance . . .				14	
	15 Bad debts . . .				15	
	16 Rents . . .				16	
	17 Taxes and licenses . . .				17	
	18 Interest . . .				18	
	19 Charitable contributions (see instructions for 10% limitation) . . .				19	
	20 Depreciation (attach Form 4562) . . .		20			
	21 Less depreciation claimed elsewhere on return . . .		21 a		21 b	
	22 Other deductions (attach schedule) . . .	See Statement 1			22	27,999.
	23 Total deductions. Add lines 12 through 22. . . ▶				23	27,999.
	24 Taxable income before net operating loss deduction & special deductions. Subtract line 23 from line 11. . .				24	0.
	25 Less: a Net operating loss deduction (see instructions) . . .		25 a			
b Special deductions (see instructions) . . .		25 b		25 c		
T A X A N D P A Y M E N T S	26 Taxable income. Subtract line 25c from line 24. . .				26	0.
	27 Total tax (from page 2, Part I, line 8) . . .				27	0.
	28 Payments:					
	a 2001 overpayment credited to 2002. . .	28 a				
	b 2002 estimated tax payments . . .	28 b				
	c Less 2002 refund applied for on Form 4466 . . .	28 c		d Bal ▶	28 d	0.
	e Tax deposited with Form 7004 . . .			28 e		
	f Credit for tax paid on undistributed capital gains (attach Form 2439) . . .			28 f		
	g Credit for Federal tax on fuels (attach Form 4136). See instructions. . .			28 g		
	h Total payments. Add lines 28d through 28g. . .				28 h	0.
29 Estimated tax penalty (see instructions). Check if Form 2220 is attached . . . ▶ <input type="checkbox"/>				29		
30 Tax due. If line 28h is smaller than the total of lines 27 and 29, enter amount owed. . .				30	0.	
31 Overpayment. If line 28h is larger than the total of lines 27 and 29, enter amount overpaid . . .				31		
32 Enter amount of line 31 you want: Credited to 2003 estimated tax ▶ Refunded ▶				32		

Sign Here	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.		President	May the IRS discuss this return with the preparer shown below (see instrs)? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
	Signature of officer	Date		

Paid Preparer's Use Only	Preparer's signature ▶ Jeffrey B. Polston	Date	Check if self-employed . . . <input type="checkbox"/>	Preparer's SSN or PTIN P00547445
	Firm's name (or yours if self-employed), address, and ZIP code Misenhimer, Aivazian & Tennant, P.C. PO Box 5693 Yuma, AZ 85366-5693			EIN 86-0920831
				Phone no. (928) 314-1488

Part I Tax Computation (see instructions)

1	Income tax. If the corporation is a qualified personal service corporation (see instructions), check here <input type="checkbox"/>	1	0.
2a	General business credit. Check box(es) and indicate which forms are attached. <input type="checkbox"/> Form 3800 <input type="checkbox"/> Form(s) (specify) _____	2a	
b	Credit for prior year minimum tax (attach Form 8827) _____	2b	
3	Total credits. Add lines 2a and 2b _____	3	
4	Subtract line 3 from line 1. _____	4	
5	Other taxes. Check if from <input type="checkbox"/> Form 4255 <input type="checkbox"/> Form 8611 <input type="checkbox"/> Form 8697 <input type="checkbox"/> Form 8866 <input type="checkbox"/> Other (attach schedule) _____	5	
6	Total tax. Add lines 4 and 5. Enter here and on line 27, page 1. _____	6	0.

Part II Other Information (see instructions)

1	Refer to the instructions and enter the: a Business activity code no. <u>221000</u> b Business activity <u>Sales - Water</u> c Product or service <u>Water</u>	5a	If an amount is entered on line 2, page 1, enter from worksheet in the instructions: (1) Purchases _____ (2) Additional 263A costs (attach schedule) _____ (3) Other costs (attach sch.) _____
2	At the end of the tax year, did any individual, partnership, estate, or trust own, directly or indirectly, 50% or more of the corporation's voting stock? (For rules of attribution, see Section 267(c).) <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If 'Yes,' attach a schedule showing name and identifying number. <u>See Statement 2</u>	6	If property is produced or acquired for resale, do the rules of section 263A apply to the corporation? <u>N/A</u> <input type="checkbox"/> Yes <input type="checkbox"/> No
3	Enter the amount of tax-exempt interest received or accrued during the tax year. <u>\$ None</u>	7	At any time during the 2002 calendar year, did the corporation have an interest in or a signature or other authority over a financial account (such as a bank account, securities account, or other financial account) in a foreign country? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If 'Yes,' the corporation may have to file Form TD F 90-22.1 If 'Yes,' enter the name of the foreign country. _____
4	Enter total amount of cash distributions and the book value of property distributions (other than cash) made during the tax year. <u>\$ None</u>		Are the corporation's total receipts (line 1a plus lines 4 - 10 on page 1) for the tax year and its total assets at the end of the tax year less than \$250,000? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If 'Yes,' the corporation is not required to complete Parts III and IV below.

Part III Balance Sheets per Books

(a) Beginning of tax year

(b) End of tax year

ASSETS	1	Cash		
	2a	Trade notes and accounts receivable		
	b	Less allowance for bad debts		
	3	Inventories		
	4	U.S. government obligations		
	5	Tax-exempt securities (see instructions)		
	6	Other current assets (attach schedule)		
	7	Loans to shareholders		
	8	Mortgage and real estate loans		
	9a	Depreciable, depletable, and intangible assets		
	b	Less accumulated depreciation, depletion, and amortization		
	10	Land (net of any amortization)		
11	Other assets (attach schedule)			
12	Total assets			
LIABILITIES AND SHAREHOLDERS' EQUITY	13	Accounts payable		
	14	Other current liabilities (attach schedule)		
	15	Loans from shareholders		
	16	Mortgages, notes, bonds payable		
	17	Other liabilities (attach schedule)		
	18	Capital stock (preferred and common stock)		
	19	Additional paid-in capital		
	20	Retained earnings		
	21	Adjustments to shareholders' equity (attach sch.)		
	22	Less cost of treasury stock		
	23	Total liabilities and shareholders' equity		

Part IV Reconciliation of Income (Loss) per Books With Income per Return

1	Net income (loss) per books	6	Income recorded on books this year not included on this return (itemize)
2	Federal income tax per books	7	Deductions on this return not charged against book inc this yr (itemize)
3	Excess of capital losses over capital gains	8	Income (line 24, page 1). Enter the sum of lines 1 through 5 less the sum of lines 6 and 7
4	Income subject to tax not recorded on books this year (itemize)		
5	Expenses recorded on books this year not deducted on this return (itemize)		

Form 4562

Department of the Treasury
Internal Revenue Service

Depreciation and Amortization (Including Information on Listed Property)

See separate instructions.
Attach to your tax return.

OMB No. 1545-0172

2002

67

Name(s) shown on return

Tacna Water Management Company

Identifying number

20-5811082

Business or activity to which this form relates

Form 1120

Part I Election To Expense Certain Tangible Property Under Section 179

Note: If you have any listed property, complete Part V before you complete Part I.

1	Maximum amount. See instructions for a higher limit for certain businesses.	1	\$24,000.
2	Total cost of section 179 property placed in service (see instructions).	2	
3	Threshold cost of section 179 property before reduction in limitation.	3	\$200,000.
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-.	4	
5	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions.	5	
6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost
7	Listed property. Enter the amount from line 29.	7	
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7.	8	
9	Tentative deduction. Enter the smaller of line 5 or line 8.	9	
10	Carryover of disallowed deduction from line 13 of your 2001 Form 4562.	10	
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instrs.).	11	
12	Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11.	12	
13	Carryover of disallowed deduction to 2003. Add lines 9 and 10, less line 12.	13	

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.)

14	Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions).	14	
15	Property subject to section 168(f)(1) election (see instructions).	15	
16	Other depreciation (including ACRS) (see instructions).	16	

Part III MACRS Depreciation (Do not include listed property.) (See instructions)**Section A**

17	MACRS deductions for assets placed in service in tax years beginning before 2002.	17	
18	If you are electing under section 168(i)(4) to group any assets placed in service during the tax year into one or more general asset accounts, check here.		

Section B — Assets Placed in Service During 2002 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only — see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property						
c 7-year property						
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs		S/L	
h Residential rental property			27.5 yrs	MM	S/L	
i Nonresidential real property			27.5 yrs	MM	S/L	
			39 yrs	MM	S/L	

Section C — Assets Placed in Service During 2002 Tax Year Using the Alternative Depreciation System

20a Class life					S/L	
b 12-year			12 yrs		S/L	
c 40-year			40 yrs	MM	S/L	

Part IV Summary (see instructions)

21	Listed property. Enter amount from line 28.	21	
22	Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations — see instructions.	22	
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs.	23	

2002

Federal Statements

Page 1

Tacna Water Management Company

20-5811082

Statement 1
Form 1120-A, Line 22
Other Deductions

Management Fee	\$	27,999.
Total	\$	<u>27,999.</u>

Statement 2
Form 1120-A, Part II, Question 2
50% or More Owners

Name : Donald W. Kelland
ID Number : 526-44-5368
Percentage Owned : 100.00%

Arizona Corporation Income Tax Return (Short Form)

2002

120A

For taxable year beginning 1/01/2002, and ending 12/31/2002.

Mail to: Arizona Department of Revenue, P.O. Box 29079, Phoenix AZ 85038-9079

Check one

Calendar year ☒ Fiscal year ☐

Business telephone number 928-341-9885	Please type or print	Name Tacna Water Management Company	Federal employer ID number (FEIN) 20-5811082
Business activity code number (from federal Form 1120) 221000		Number and street 2993 S. Arizona Avenue	AZ withholding tax number
		City or town Yuma, AZ 85364	AZ transaction privilege tax number

(68) Check box if: ☒ This is a first return ☐ Name change ☐ Address change

For DOR use only

A Is federal return filed on a consolidated basis? ☐ Yes ☒ No

If yes, list FEIN of common parent from consolidated return

Note: Use Form 120 to file an Arizona consolidated return. Taxpayers cannot use Form 120A to file an Arizona consolidated return.B Is this the corporation's final Arizona return? ☐ Yes ☒ NoIf yes, check one: Dissolved ☐ Withdrawn ☐ Merged/Reorganized ☐

List FEIN of the successor corporation, if any

(81)

(66)

(82) Check Box If:

Federal extension used to file return

82 F ☐

Arizona Taxable Income Computation

1	Taxable income — per attached federal return	1	0.
2	Additions to taxable income — from page 2, Schedule A, line A12	2	
3	Total taxable income — add lines 1 and 2	3	0.
4	Subtractions from taxable income — from page 2, Schedule B, line B12	4	
5	Adjusted income — subtract line 4 from line 3	5	0.
6	Arizona basis net operating loss carryforward — attach computation schedule	6	
7	Arizona taxable income — subtract line 6 from line 5	7	0.

Arizona Tax Liability Computation

8	Enter tax. Tax is 6.968 percent of line 7 or fifty dollars (\$50), whichever is greater	8	50.
9	Tax from recapture of tax credits — from Form 300, Part II, line 26	9	
10	Subtotal — add lines 8 and 9	10	50.
11	Clean Elections Fund Tax Reduction. Check this box to send \$5 to the fund and reduce the tax (line 10) by \$5. Enter the amount of the tax reduction. 11A <input checked="" type="checkbox"/>	11	5.
12	Nonrefundable tax credits — from Form 300, Part II, line 50	12	
13	Credit type — enter form number for each nonrefundable credit claimed 13 3 3 3 3 3	13	
14	Tax liability — subtract the sum of lines 11 and 12 from line 10	14	45.
15	Clean Elections Fund Tax Credit. See instructions before completing this line	15	
16	Tax liability after Clean Elections Fund Tax Credit — subtract line 15 from line 14	16	45.

Tax Payments

17	Refundable tax credits — see instructions. 17	17	
18	Credit type — enter form number for each refundable credit claimed 18 3	18	
19	Extension payment made with Form 120EXT. See instructions. 19	19	
20	Estimated tax payments — see instructions. 20	20	
21	Total payments — see instructions. 21	21	0.

Computation of Total Due or Overpayment

22	Balance of tax due — if line 16 is larger than line 21, enter balance of tax due. Skip line 23	22	45.
23	Overpayment of tax — if line 21 is larger than line 16, enter overpayment of tax	23	
24	Penalty and interest. 24	24	
25	Estimated tax underpayment penalty — if Form 220 is attached, check box. 25A <input type="checkbox"/>	25	
26	Donation to Citizens Clean Elections Fund — see instructions. 26	26	
27	Total Due — payment must accompany return	27	45.
28	Overpayment — see instructions. 28	28	
29	Amount of line 28 to be applied to 2003 estimated tax. 29	29	
30	Amount to be refunded — subtract line 29 from line 28	30	

Schedule A – Additions to Taxable Income

A1	Federal bonus depreciation allowed under IRC Section 168(k) – see instructions	A1	
A2	Federal income tax refunds received in the taxable year – see instructions	A2	
A3	Taxes based on income paid to any state (including Arizona), local governments or foreign governments	A3	
A4	Interest on obligations of other states, foreign countries, or political subdivisions	A4	
A5	Special deductions claimed on federal return	A5	
A6	Federal net operating loss deduction claimed on federal return	A6	
A7	Commissions and other expenses paid or accrued to a Domestic International Sales Corporation (DISC)	A7	
A8	Capital investment by qualified defense contractor – attach schedule	A8	
A9	Claim of right adjustments – attach schedule	A9	
A10	Additions related to Arizona tax credits – attach schedule	A10	
A11	Other additions to federal taxable income – attach schedule	A11	
A12	Total – add lines A1 through A11. Enter total here and on page 1, line 2	A12	

Schedule B – Subtractions From Taxable Income

B1	Arizona adjustment for IRC Section 168(k) bonus depreciation – see instructions	B1	
B2	Arizona depreciation adjustment for property sold or otherwise disposed of during the taxable year – see instructions	B2	
B3	Dividends received from 50% or more controlled domestic corporations	B3	
B4	Foreign dividend gross-up	B4	
B5	Dividends received from foreign corporations	B5	
B6	Dividends received from a DISC	B6	
B7	Interest on U.S. obligations	B7	
B8	Agricultural crops charitable contribution	B8	
B9	Capital investment by qualified defense contractor – attach schedule	B9	
B10	Claim of right adjustments – attach schedule	B10	
B11	Other subtractions from federal taxable income – attach schedule	B11	
B12	Total – add lines B1 through B11. Enter total here and on page 1, line 4	B12	

Schedule C – Additional Information

- C1 Date business began in Arizona 1/01/2002
- C2 Address at which tax records are located for audit purposes: Corporation
- C3 The taxpayer designates the individual listed below as the person to contact to schedule an audit of this return and authorizes the disclosure of confidential information to this individual. (see instructions)
 Name and title Donald W. Kelland, President Phone number 928-341-9885
- C4 List prior taxable years for which a federal examination has been finalized _____

Note: ARS Section 43-327 requires the taxpayer, within ninety days after final determination, to report these changes under separate cover to the Arizona Department of Revenue or to file amended returns reporting these changes. (see instructions)

- C5 Amount of Arizona taxable income for prior taxable year (2001 Form 120A, line 7) _____ **None**
- C6 Indicate tax accounting method: Cash ☒ Accrual ☐ Other ☐ (Specify method) _____

Certification

The following certification must be signed by one or more of the following officers (president, treasurer, or any other principal officer).

Under penalties of perjury, I (we), the undersigned officer(s) authorized to sign this return, declare that I (we) have examined this return, including the accompanying schedules and statements, and to the best of my (our) knowledge and belief, it is a true, correct and complete return, made in good faith, for the taxable year stated pursuant to the income tax laws of the State of Arizona.

Please
Sign
Here

Officer's signature	<u>President</u>	Date
Officer's signature	Title	Date

Paid
Preparer's
Use Only

Preparer's signature	<u>Jeffrey B. Polston</u>	Date
Firm's name (or preparer's, if self-employed) and address	<u>Misenhimer, Aivazian & Tennant, P.C.</u> <u>PO Box 5693</u> <u>Yuma, AZ</u>	Preparer's TIN <u>86-0920831</u> ZIP code <u>85366-5693</u>

2002

Federal Income Tax Summary

Page 1

Tacna Water Management Company

20-5811082

INCOME

Gross receipts less returns/allowance.....	27,999
Gross Profit.....	27,999
Total income.....	27,999

DEDUCTIONS

Other deductions.....	27,999
Total deductions.....	27,999

TAXABLE INCOME

Taxable income.....	0
---------------------	---

TAX COMPUTATION

Income tax.....	0
Total tax.....	0

PAYMENTS AND CREDITS

Total payments and credits.....	0
---------------------------------	---

REFUND OR AMOUNT DUE

Overpayment.....	0
Tax due.....	0

SCHEDULE L

Beginning Assets.....	500
Beginning Liabilities & Equity.....	500
Ending Assets.....	0
Ending Liabilities & Equity.....	0

TAX RATES

Marginal tax rate.....	0.0%
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2002

Federal Balance Sheet Summary

Page 1

Tacna Water Management Company

20-5811082

ENDING ASSETS

Total Assets

ENDING LIABILITIES & EQUITY

Total Liabilities and Equity

2002

Arizona Income Tax Summary

Page 1

Tacna Water Management Company

20-5811082

FEDERAL INCOME

Federal taxable income.....	0
-----------------------------	---

ADDITIONS

Total additions.....	0
----------------------	---

SUBTRACTIONS

Total subtractions.....	0
-------------------------	---

Adjusted income.....	0
----------------------	---

ARIZONA TAXABLE INCOME

Arizona taxable income.....	0
-----------------------------	---

TAX AND CREDITS

Tax.....	50
Clean elections fund reduction.....	5
Tax liability.....	45

REFUND OR TAX DUE

Balance of tax due.....	45
Total due.....	45

Overpayment.....	0
------------------	---

Refunded.....	0
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TAX RATES

Marginal tax rate.....	6.968%
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2002

General Information

Page 1

Tacna Water Management Company

20-5811082

Forms needed for this return

Federal: 1120-A, 4562
Arizona: 120A

Tax Rates

	<u>Marginal</u>	<u>Effective</u>
Federal	0%	0%
Arizona	6.968%	0%

Carryovers to 2003

None

MISENHIMER, AIVAZIAN & TENNANT, P.C.
PO BOX 5693
YUMA, AZ 85366-5693
(928) 314-1488

December 18, 2006

Tacna Water Management Company
2993 S. Arizona Avenue
Yuma, AZ 85364

Dear Client:

Enclosed is your 2003 Federal Corporation Income Tax Return. The original should be signed at the bottom of page one. No tax is payable with the filing of this return. Mail the Federal return on or before March 15, 2004 to:

INTERNAL REVENUE SERVICE
OGDEN, UT 84201-0012

Enclosed is your 2003 Arizona Corporation Income Tax Return. The original should be signed at the bottom of page two. There is a balance of \$45 payable by April 15, 2004. Mail the Arizona return on or before April 15, 2004 and make check payable to:

ARIZONA DEPARTMENT OF REVENUE
P. O. BOX 29079
PHOENIX, AZ 85038-9079

Please be sure to call if you have any questions.

Sincerely,

Jeffrey B. Polston

Form **1120-A**Department of the Treasury
Internal Revenue Service**U.S. Corporation Short-Form Income Tax Return**

For calendar year 2003 or tax year beginning

, 2003, ending

See separate instructions to make sure the corporation qualifies to file Form 1120-A.

OMB No. 1545-0890

2003

A Check this box if the corporation is a personal service corporation (as defined in Regulations section 1.441-3(c) see instructions). <input type="checkbox"/>	Use IRS label. Otherwise, print or type.	Tacna Water Management Company 2993 S. Arizona Avenue Yuma, AZ 85364	B Employer ID number
			20-5811082
			C Date incorporated
			1/01/2002
			D Total assets (see instructions)
			\$ 0.

E Check applicable boxes: (1) ☐ Initial return (2) ☐ Name change (3) ☐ Address change**F** Check method of accounting: (1) ☒ Cash (2) ☐ Accrual (3) ☐ Other (specify)...

INCOME	1 a Gross receipts or sales	22,862.	b Less returns & allowances		c Balance	1 c	22,862.
	2 Cost of goods sold (see instructions)					2	
	3 Gross profit. Subtract line 2 from line 1c					3	22,862.
	4 Domestic corporation dividends subject to the 70% deduction					4	
	5 Interest					5	
	6 Gross rents					6	
	7 Gross royalties					7	
	8 Capital gain net income (attach Schedule D (Form 1120))					8	
	9 Net gain or (loss) from Form 4797, Part II, line 18 (attach Form 4797)					9	
	10 Other income (see instructions)					10	
	11 Total income. Add lines 3 through 10					11	22,862.
DEDUCTIONS	12 Compensation of officers (see instructions)					12	
	13 Salaries and wages (less employment credits)					13	
	14 Repairs and maintenance					14	
	15 Bad debts					15	
	16 Rents					16	
	17 Taxes and licenses					17	
	18 Interest					18	
	19 Charitable contributions (see instructions for 10% limitation)					19	
	20 Depreciation (attach Form 4562)		20				
	21 Less depreciation claimed elsewhere on return		21 a			21 b	
	22 Other deductions (attach schedule)	See Statement 1				22	22,862.
23 Total deductions. Add lines 12 through 22					23	22,862.	
24 Taxable income before net operating loss deduction & special deductions. Subtract line 23 from line 11					24	0.	
25 Less:	a Net operating loss deduction (see instructions)	25 a					
	b Special deductions (see instructions)	25 b				25 c	
26 Taxable income. Subtract line 25c from line 24					26	0.	
27 Total tax (from page 2, Part I, line 6)					27	0.	
TAX AND PAYMENTS	28 Payments:						
	a 2002 overpayment credited to 2003	28 a					
	b 2003 estimated tax payments	28 b					
	c Less 2003 refund applied for on Form 4466	28 c					
	d Total payments. Add lines 28a through 28c	d Bal	28 d	0.			
	e Tax deposited with Form 7004	28 e					
	f Credit for tax paid on undistributed capital gains (attach Form 2439)	28 f					
	g Credit for Federal tax on fuels (attach Form 4136). See instructions	28 g					
	h Total payments. Add lines 28d through 28g		28 h				0.
	29 Estimated tax penalty (see instructions). Check if Form 2220 is attached		29				
	30 Tax due. If line 28h is smaller than the total of lines 27 and 29, enter amount owed		30				0.
31 Overpayment. If line 28h is larger than the total of lines 27 and 29, enter amount overpaid		31					
32 Enter amount of line 31 you want: Credited to 2004 estimated tax		32					

Sign Here Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer **CLIENT COPY** Date _____ Title **President**

May the IRS discuss this return with the preparer shown below (see instrs)? ☒ Yes ☐ No

Paid Preparer's Use Only	Preparer's signature	Date	Check if self-employed <input type="checkbox"/>	Preparer's SSN or PTIN
	Firm's name (or yours if self-employed), address, and ZIP code			P00547445
	Misenhimer, Aivazian & Tennant, P.C. PO Box 5693 Yuma, AZ 85366-5693	EIN	86-0920831	Phone no. (928) 314-1488

BAA For Paperwork Reduction Act Notice, see separate instructions.

Form 1120-A (2003)

Part I Tax Computation (see instructions)

1	Income tax. If the corporation is a qualified personal service corporation (see instructions), check here <input type="checkbox"/>	1	0.
2a	General business credit. Check box(es) and indicate which forms are attached. <input type="checkbox"/> Form 3800 <input type="checkbox"/> Form(s) (specify) _____	2a	
b	Credit for prior year minimum tax (attach Form 8827) _____	2b	
3	Total credits. Add lines 2a and 2b	3	
4	Subtract line 3 from line 1	4	
5	Other taxes. Check if from <input type="checkbox"/> Form 4255 <input type="checkbox"/> Form 8611 <input type="checkbox"/> Form 8697 <input type="checkbox"/> Form 8866 <input type="checkbox"/> Other (attach schedule)	5	
6	Total tax. Add lines 4 and 5. Enter here and on line 27, page 1	6	0.

Part II Other Information (see instructions)

1	Refer to the instructions and enter the: a Business activity code no. <u>221000</u> b Business activity <u>Sales - Water</u> c Product or service <u>Water</u>	5a	If an amount is entered on line 2, page 1, enter from worksheet in the instructions: (1) Purchases _____ (2) Additional 263A costs (attach schedule) _____ (3) Other costs (attach sch.) _____
2	At the end of the tax year, did any individual, partnership, estate, or trust own, directly or indirectly, 50% or more of the corporation's voting stock? (For rules of attribution, see Section 267(c).) <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If 'Yes,' attach a schedule showing name and identifying number. See Statement 2	b	If property is produced or acquired for resale, do the rules of section 263A apply to the corporation? N/A <input type="checkbox"/> Yes <input type="checkbox"/> No
3	Enter the amount of tax-exempt interest received or accrued during the tax year. <u>\$</u> None	6	At any time during the 2003 calendar year, did the corporation have an interest in or a signature or other authority over a financial account (such as a bank account, securities account, or other financial account) in a foreign country? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If 'Yes,' the corporation may have to file Form TD F 90-22.1 If 'Yes,' enter the name of the foreign country. _____
4	Enter total amount of cash distributions and the book value of property distributions (other than cash) made during the tax year. <u>\$</u> None	7	Are the corporation's total receipts (line 1a plus lines 4 - 10 on page 1) for the tax year and its total assets at the end of the tax year less than \$250,000? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If 'Yes,' the corporation is not required to complete Parts III and IV below.

Part III Balance Sheets per Books

		(a) Beginning of tax year	(b) End of tax year
A S S E T S	1 Cash		
	2a Trade notes and accounts receivable		
	b Less allowance for bad debts		
	3 Inventories		
	4 U.S. government obligations		
	5 Tax-exempt securities (see instructions)		
	6 Other current assets (attach schedule)		
	7 Loans to shareholders		
	8 Mortgage and real estate loans		
	9a Depreciable, depletable, and intangible assets		
	b Less accumulated depreciation, depletion, and amortization		
	10 Land (net of any amortization)		
11 Other assets (attach schedule)			
12 Total assets			
S H A R E H O L D E R S' L I A B I L I T I E S A N D E Q U I T Y	13 Accounts payable		
	14 Other current liabilities (attach schedule)		
	15 Loans from shareholders		
	16 Mortgages, notes, bonds payable		
	17 Other liabilities (attach schedule)		
	18 Capital stock (preferred and common stock)		
	19 Additional paid-in capital		
	20 Retained earnings		
	21 Adjustments to shareholders' equity (attach sch.)		
	22 Less cost of treasury stock		
	23 Total liabilities and shareholders' equity		

Part IV Reconciliation of Income (Loss) per Books With Income per Return

1	Net income (loss) per books	0.	6	Income recorded on books this year not included on this return (itemize)	
2	Federal income tax per books		7	Deductions on this return not charged against book inc this yr (itemize)	
3	Excess of capital losses over capital gains		8	Income (line 24, page 1). Enter the sum of lines 1 through 5 less the sum of lines 6 and 7	0.
4	Income subject to tax not recorded on books this year (itemize)				
5	Expenses recorded on books this year not deducted on this return (itemize)				

Form **4562**Department of the Treasury
Internal Revenue Service**Depreciation and Amortization**
(Including Information on Listed Property)▶ See separate instructions.
▶ Attach to your tax return.

OMB No. 1545-0172

2003
67

Name(s) shown on return

Tacna Water Management Company

Identifying number

20-5811082

Business or activity to which this form relates

Form 1120

Part I Election To Expense Certain Property Under Section 179

Note: If you have any listed property, complete Part V before you complete Part I.

1	Maximum amount. See instructions for a higher limit for certain businesses.	1	\$100,000.
2	Total cost of section 179 property placed in service (see instructions).	2	
3	Threshold cost of section 179 property before reduction in limitation.	3	\$400,000.
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	
5	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions.	5	
6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost
7	Listed property. Enter the amount from line 29	7	
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7.	8	
9	Tentative deduction. Enter the smaller of line 5 or line 8.	9	
10	Carryover of disallowed deduction from line 13 of your 2002 Form 4562.	10	
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instrs).	11	
12	Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11.	12	
13	Carryover of disallowed deduction to 2004. Add lines 9 and 10, less line 12.	13	

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.)

14	Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions).	14	
15	Property subject to section 168(f)(1) election (see instructions).	15	
16	Other depreciation (including ACRS) (see instructions).	16	

Part III MACRS Depreciation (Do not include listed property.) (See instructions)**Section A**

17	MACRS deductions for assets placed in service in tax years beginning before 2003.	17	
18	If you are electing under section 168(i)(4) to group any assets placed in service during the tax year into one or more general asset accounts, check here.		

Section B — Assets Placed in Service During 2003 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only — see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property						
c 7-year property						
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs		S/L	
h Residential rental property			27.5 yrs	MM	S/L	
i Nonresidential real property			39 yrs	MM	S/L	

Section C — Assets Placed in Service During 2003 Tax Year Using the Alternative Depreciation System

20a Class life					S/L	
b 12-year			12 yrs		S/L	
c 40-year			40 yrs	MM	S/L	

Part IV Summary (see instructions)

21	Listed property. Enter amount from line 28.	21	
22	Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations — see instructions.	22	
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs.	23	

2003

Federal Statements

Page 1

Tacna Water Management Company

20-5811082

Statement 1
Form 1120-A, Line 22
Other Deductions

Management Fee.....	Total	\$	22,862.
		\$	<u>22,862.</u>

Statement 2
Form 1120-A, Part II, Question 2
50% or More Owners

Name : Donald W. Kelland
ID Number : 526-44-5368
Percentage Owned : 100.00%

120A

For taxable year beginning 1/01/2003, and ending 12/31/2003

Mail to: Arizona Department of Revenue, PO Box 29079, Phoenix AZ 85038-9079

CHECK ONE:

Calendar year ☒ Fiscal year ☐

Business telephone number 928-341-9885	Please Type or Print	Name Tacna Water Management Company	Federal employer ID number (FEIN) 20-5811082
Business activity code number (from federal Form 1120) 221000		Number and street or PO Box 2993 S. Arizona Avenue	AZ withholding tax number
		City, or town, state, and ZIP Code Yuma, AZ 85364	AZ transaction privilege tax number

(68) Check box if: ☐ This is a first return ☐ Name change ☐ Address change

FOR DOR USE ONLY

A Is FEDERAL return filed on a consolidated basis? ☐ Yes ☒ No

If yes, list FEIN of common parent from consolidated return.

NOTE: Use Form 120 to file an ARIZONA consolidated return. Taxpayers **cannot** use Form 120A to file an Arizona consolidated return.B Is this the corporation's final ARIZONA return? ☐ Yes ☒ NoIf yes, check one: Dissolved ☐ Withdrawn ☐ Merged/Reorganized ☐

List FEIN of the successor corporation, if any

(81)

(66)

(82) CHECK BOX IF:
Federal extension used to file return. 82 F ☐

Arizona Taxable Income Computation

1	Taxable income — per attached federal return.	1	0.
2	Additions to taxable income — from page 2, Schedule A, line A13.	2	
3	Total taxable income — add lines 1 and 2.	3	0.
4	Subtractions from taxable income — from page 2, Schedule B, line B13.	4	
5	Adjusted income — subtract line 4 from line 3.	5	0.
6	Arizona basis net operating loss carryforward — attach computation schedule.	6	
7	Arizona taxable income — subtract line 6 from line 5.	7	0.

Arizona Tax Liability Computation

8	Enter tax. Tax is 6.968 percent of line 7 or fifty dollars (\$50), whichever is greater.	8	50.
9	Tax from recapture of tax credits — from Form 300, Part II, line 25.	9	
10	Subtotal — add lines 8 and 9.	10	50.
11	Clean Elections Fund Tax Reduction. Check this box to send \$5 to the fund and reduce the tax (line 10) by \$5. Enter the amount of the tax reduction. 11A <input checked="" type="checkbox"/>	11	5.
12	Nonrefundable tax credits — from Form 300, Part II, line 48.	12	
13	Credit type — enter form number for each nonrefundable credit claimed <input type="text" value="13"/> <input type="text" value="3"/> <input type="text" value="3"/> <input type="text" value="3"/> <input type="text" value="3"/>	13	
14	Tax liability — subtract the sum of lines 11 and 12 from line 10.	14	45.
15	Clean Elections Fund Tax Credit. SEE INSTRUCTIONS BEFORE COMPLETING THIS LINE.	15	
16	Tax liability after Clean Elections Fund tax credit — subtract line 15 from line 14.	16	45.

Tax Payments

17	Refundable tax credits — see instructions.	17	
18	Credit type — enter form number for each refundable credit claimed. <input type="text" value="18"/> <input type="text" value="3"/>	18	
19	Extension payment made with Form 120EXT. See instructions.	19	
20	Estimated tax payments — see instructions.	20	
21	Total payments — see instructions.	21	0.

Computation of Total Due or Overpayment

22	Balance of tax due — If line 16 is larger than line 21, enter balance of tax due. Skip line 23.	22	45.
23	Overpayment of tax — If line 21 is larger than line 16, enter overpayment of tax.	23	
24	Penalty and interest.	24	
25	Estimated tax underpayment penalty — If Form 220 is attached, check box. 25A <input type="checkbox"/>	25	
26	Donation to Citizens Clean Elections Fund — see instructions.	26	
27	TOTAL DUE — payment must accompany return.	27	45.
28	OVERPAYMENT — see instructions.	28	
29	Amount of line 28 to be applied to 2004 estimated tax.	29	
30	Amount to be refunded — subtract line 29 from line 28.	30	

Schedule A – Additions to Taxable Income

A1	Total federal depreciation.....	A1	
A2	IRC Section 179 expense in excess of allowable amount.....	A2	
A3	Federal income tax refunds received in the taxable year — <i>see instructions</i>	A3	
A4	Taxes based on income paid to any state (INCLUDING ARIZONA), local governments or foreign governments.....	A4	
A5	Interest on obligations of other states, foreign countries, or political subdivisions.....	A5	
A6	Special deductions claimed on federal return.....	A6	
A7	Federal net operating loss deduction claimed on federal return.....	A7	
A8	Commissions and other expenses paid or accrued to a Domestic International Sales Corporation (DISC).....	A8	
A9	Capital investment by qualified defense contractor — <i>attach schedule</i>	A9	
A10	Claim of right adjustments — <i>attach schedule</i>	A10	
A11	Additions related to Arizona tax credits — <i>attach schedule</i>	A11	
A12	Other additions to federal taxable income — <i>attach schedule</i>	A12	
A13	Total — <i>add lines A1 through A12. Enter total here and on page 1, line 2</i>	A13	

Schedule B – Subtractions From Taxable Income

B1	Recalculated Arizona depreciation — <i>see instructions</i>	B1	
B2	Basis adjustment for property sold or otherwise disposed of during the taxable year — <i>see instructions</i>	B2	
B3	Adjustment for IRC Section 179 expense not allowed.....	B3	
B4	Dividends received from 50% or more controlled domestic corporations.....	B4	
B5	Foreign dividend gross-up.....	B5	
B6	Dividends received from foreign corporations.....	B6	
B7	Dividends received from a DISC.....	B7	
B8	Interest on U.S. obligations.....	B8	
B9	Agricultural crops charitable contribution.....	B9	
B10	Capital investment by qualified defense contractor — <i>attach schedule</i>	B10	
B11	Claim of right adjustments — <i>attach schedule</i>	B11	
B12	Other subtractions from federal taxable income — <i>attach schedule</i>	B12	
B13	Total — <i>add lines B1 through B12. Enter total here and on page 1, line 4</i>	B13	

Schedule C – Additional Information

- C1 Date business began in Arizona 1/01/2002
- C2 Address at which tax records are located for audit purposes: Corporation
- C3 The taxpayer designates the individual listed below as the person to contact to schedule an audit of this return and authorizes the disclosure of confidential information to this individual. (See instructions)
Name and title Donald W. Kelland, President Phone number 928-341-9885
- C4 List prior taxable years for which a federal examination has been finalized _____
- NOTE: ARS Section 43-327 requires the taxpayer, within ninety days after final determination, to report these changes under separate cover to the Arizona Department of Revenue or to file amended returns reporting these changes. (See instructions)
- C5 Amount of Arizona taxable income for prior taxable year (2002 Form 120A, line 7)..... None
- C6 Indicate tax accounting method: Cash ☒ Accrual ☐ Other ☐ (Specify method) _____

Certification

The following certification must be signed by one or more of the following officers (president, treasurer, or any other principal officer).

Under penalties of perjury, I (we), the undersigned officer(s) authorized to sign this return, declare that I (we) have examined this return, including the accompanying schedules and statements, and to the best of my (our) knowledge and belief, it is a true, correct and complete return, made in good faith, for the taxable year stated pursuant to the income tax laws of the State of Arizona.

Please
Sign
Here

Officer's signature	President	Date
Officer's signature	Title	Date

Paid
Preparer's
Use Only

Preparer's signature	Date	86-0920831
Firm's name (or preparer's, if self-employed)		Preparer's TIN
PO Box 5693		
Yuma, AZ		85366-5693
Firm's address		ZIP code

12/31/03

2003 Federal Depreciation Schedule

Page 1

Tacna Water Management Company

20-5811082

No.	Description	Date Acquired	Date Sold	Cost/ Basis	Bus. Pct.	Cur 179 Bonus	Special Depr. Allow.	Prior 179/ Bonus/ Sp. Depr.	Prior Dec. Bal. Depr.	Salvage /Basis Reductn.	Depr. Basis	Prior Depr.	Method	Life	Rate	Current Depr.
Form 1120																
Machinery and Equipment																
1	Utility Plant	1/01/91		121,057				121,057			0		200DB	HY	7	0
Total Machinery and Equipment																
				121,057		0	0	121,057	0	0	0	0				
Total Depreciation																
				121,057		0	0	121,057	0	0	0	0				
Grand Total Depreciation																
				121,057		0	0	121,057	0	0	0	0				

2003**Federal Income Tax Summary****Page 1****Tacna Water Management Company****20-5811082**

	2003	2002	Diff
INCOME			
Gross receipts less returns/allowance....	22,862	27,999	-5,137
Gross Profit.....	22,862	27,999	-5,137
Total income.....	22,862	27,999	-5,137
DEDUCTIONS			
Other deductions.....	22,862	27,999	-5,137
Total deductions.....	22,862	27,999	-5,137
TAXABLE INCOME			
Taxable income.....	0	0	0
TAX COMPUTATION			
Income tax.....	0	0	0
Total tax.....	0	0	0
PAYMENTS AND CREDITS			
Total payments and credits.....	0	0	0
REFUND OR AMOUNT DUE			
Overpayment.....	0	0	0
Tax due.....	0	0	0
SCHEDULE L			
Beginning Assets.....	0	500	-500
Beginning Liabilities & Equity.....	0	500	-500
Ending Assets.....	0	0	0
Ending Liabilities & Equity.....	0	0	0
TAX RATES			
Marginal tax rate.....	0.0%	0.0%	0.0%

2003

Federal Balance Sheet Summary

Page 1

Tacna Water Management Company

20-5811082

ENDING ASSETS

Total Assets.....

ENDING LIABILITIES & EQUITY

Total Liabilities and Equity.....

2003

Arizona Income Tax Summary

Page 1

Tacna Water Management Company

20-5811082

	2003	2002	Diff
FEDERAL INCOME			
Federal taxable income.....	0	0	0
ADDITIONS			
Total additions.....	0	0	0
SUBTRACTIONS			
Total subtractions.....	0	0	0
Adjusted income.....	0	0	0
ARIZONA TAXABLE INCOME			
Arizona taxable income.....	0	0	0
TAX AND CREDITS			
Tax.....	50	50	0
Clean elections fund reduction.....	5	5	0
Tax liability.....	45	45	0
REFUND OR TAX DUE			
Balance of tax due.....	45	45	0
Total due.....	45	45	0
Overpayment.....	0	0	0
Refunded.....	0	0	0
TAX RATES			
Marginal tax rate.....	6.968%	6.968%	0.000%

MISENHIMER, AIVAZIAN & TENNANT, P.C.
PO BOX 5693
YUMA, AZ 85366-5693
(928) 314-1488

December 18, 2006

Tacna Water Management Company
2993 S. Arizona Avenue
Yuma, AZ 85364

Dear Client:

Enclosed is your 2004 Federal Corporation Income Tax Return. The original should be signed at the bottom of page one. No tax is payable with the filing of this return. Mail the Federal return on or before March 15, 2005 to:

INTERNAL REVENUE SERVICE
OGDEN, UT 84201-0012

Enclosed is your 2004 Arizona Corporation Income Tax Return. The original should be signed at the bottom of page two. There is a balance of \$45 payable by April 15, 2005. Mail the Arizona return on or before April 15, 2005 and make check payable to:

ARIZONA DEPARTMENT OF REVENUE
P. O. BOX 29079
PHOENIX, AZ 85038-9079

Please be sure to call if you have any questions.

Sincerely,

Jeffrey B. Polston

Form **1120-A**Department of the Treasury
Internal Revenue Service**U.S. Corporation Short-Form Income Tax Return**

For calendar year 2004 or tax year beginning

, 2004, ending

See separate instructions to make sure the corporation qualifies to file Form 1120-A.

OMB No. 1545-0890

2004A Check this box if the corporation is a personal service corporation (see instructions) ☐

Use IRS label. Otherwise, print or type.

Tacna Water Management Company
2993 S. Arizona Avenue
Yuma, AZ 85364

B Employer ID number

20-5811082

C Date incorporated

1/01/2002

D Total assets (see instructions)

E Check if: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Name change (4) ☐ Address change

\$ 0.

F Check method of accounting: (1) ☒ Cash (2) ☐ Accrual (3) ☐ Other (specify) _____

I N C O M E	1 a	Gross receipts or sales	27,916.	b	Less returns & allowances		c	Balance	1 c	27,916.
	2	Cost of goods sold (see instructions)							2	
	3	Gross profit. Subtract line 2 from line 1c							3	27,916.
	4	Domestic corporation dividends subject to the 70% deduction							4	
	5	Interest							5	
	6	Gross rents							6	
	7	Gross royalties							7	
	8	Capital gain net income (attach Schedule D (Form 1120))							8	
	9	Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)							9	
	10	Other income (see instructions — attach schedule)							10	
	11	Total income. Add lines 3 through 10							11	27,916.
D E D U C T I O N S S E E I N S T R U C T I O N S	12	Compensation of officers (see instructions)							12	
	13	Salaries and wages (less employment credits)							13	
	14	Repairs and maintenance							14	
	15	Bad debts							15	
	16	Rents							16	
	17	Taxes and licenses							17	
	18	Interest							18	
	19	Charitable contributions (see instructions for 10% limitation)							19	
	20	Depreciation (attach Form 4562)		20					20	
	21	Less depreciation claimed elsewhere on return		21 a					21 b	
	22	Other deductions (attach schedule)				See Statement 1			22	27,916.
23	Total deductions. Add lines 12 through 22							23	27,916.	
24	Taxable income before net operating loss deduction & special deductions. Subtract line 23 from line 11							24	0.	
T A X A N D P A Y M E N T S	25	Less: a Net operating loss deduction (see instructions)		25 a					25 a	
		b Special deductions (see instructions)		25 b					25 b	
	26	Taxable income. Subtract line 25c from line 24							26	0.
	27	Total tax (page 2, Part I, line 5)							27	0.
	28	Payments:								
	a	2003 overpayment credited to 2004	28 a							
	b	2004 estimated tax payments	28 b							
	c	Less 2004 refund applied for on Form 4466	28 c							
	d	Less 2004 refund applied for on Form 4466		d Bal	28 d	0.				
	e	Tax deposited with Form 7004			28 e					
	f	Credit for tax paid on undistributed capital gains (attach Form 2439)			28 f					
g	Credit for Federal tax on fuels (attach Form 4136). See instructions			28 g						
h	Total payments. Add lines 28d through 28g							28 h	0.	
29	Estimated tax penalty (see instructions). Check if Form 2220 is attached							29		
30	Tax due. If line 28h is smaller than the total of lines 27 and 29, enter amount owed							30	0.	
31	Overpayment. If line 28h is larger than the total of lines 27 and 29, enter amount overpaid							31		
32	Enter amount of line 31 you want: Credited to 2005 estimated tax							32		

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer

Date

President

Title

May the IRS discuss this return with the preparer shown below (see instrs)? ☒ Yes ☐ No

Paid Preparer's Use Only

Preparer's signature

Date
12/18/06Check if self-employed ☐

Preparer's SSN or PTIN

P00547445

Firm's name (or yours if self-employed), address, and ZIP code

Misenhimer, Aivazian & Tennant, P.C.

PO Box 5693

Yuma, AZ 85366-5693

EIN 86-0920831

Phone no. (928) 314-1488

BAA For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.

Form 1120-A (2004)

Part I Tax Computation (see instructions)

1	Income tax. If the corporation is a qualified personal service corporation (see instructions), check here <input type="checkbox"/>	1	0.
2	General business credit. Check box(es) and indicate which forms are attached. <input type="checkbox"/> Form 3800 <input type="checkbox"/> Form(s) (specify) _____	2	
3	Subtract line 2 from line 1.	3	
4	Other taxes. Check if from <input type="checkbox"/> Form 4255 <input type="checkbox"/> Form 8611 <input type="checkbox"/> Form 8697 <input type="checkbox"/> Form 8866 <input type="checkbox"/> Other (attach schedule)	4	
5	Total tax. Add lines 3 and 4. Enter here and on page 1, line 27.	5	0.

Part II Other Information (see instructions)

1	Refer to the instructions and enter the: a Business activity code no. <u>221000</u> b Business activity <u>Sales - Water</u> c Product or service <u>Water</u>	5a	If an amount is entered on page 1, line 2, enter from worksheet in the instructions: (1) Purchases (2) Additional 263A costs (attach schedule) (3) Other costs (attach sch.)
2	At the end of the tax year, did any individual, partnership, estate, or trust own, directly or indirectly, 50% or more of the corporation's voting stock? (For rules of attribution, see Section 267(c).) <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If 'Yes,' attach a schedule showing name and identifying number. <u>See Statement 2</u>	6	If property is produced or acquired for resale, do the rules of section 263A apply to the corporation? <u>N/A</u> <input type="checkbox"/> Yes <input type="checkbox"/> No
3	Enter the amount of tax-exempt interest received or accrued during the tax year. <u>\$ None</u>	7	At any time during the 2004 calendar year, did the corporation have an interest in or a signature or other authority over a financial account (such as a bank account, securities account, or other financial account) in a foreign country? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If 'Yes,' the corporation may have to file Form TD F 90-22.1 If 'Yes,' enter the name of the foreign country. _____
4	Enter total amount of cash distributions and the book value of property distributions (other than cash) made during the tax year. <u>\$ None</u>		Are the corporation's total receipts (line 1a plus lines 4 - 10 on page 1) for the tax year and its total assets at the end of the tax year less than \$250,000? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If 'Yes,' the corporation is not required to complete Parts III and IV below.

Part III Balance Sheets per Books

		(a) Beginning of tax year	(b) End of tax year
ASSETS	1 Cash		
	2a Trade notes and accounts receivable		
	b Less allowance for bad debts		
	3 Inventories		
	4 U.S. government obligations		
	5 Tax-exempt securities (see instructions)		
	6 Other current assets (attach schedule)		
	7 Loans to shareholders		
	8 Mortgage and real estate loans		
	9a Depreciable, depletable, and intangible assets		
	b Less accumulated depreciation, depletion, and amortization		
	10 Land (net of any amortization)		
11 Other assets (attach schedule)			
12 Total assets			
SHAREHOLDERS' LIABILITIES AND EQUITY	13 Accounts payable		
	14 Other current liabilities (attach schedule)		
	15 Loans from shareholders		
	16 Mortgages, notes, bonds payable		
	17 Other liabilities (attach schedule)		
	18 Capital stock (preferred and common stock)		
	19 Additional paid-in capital		
	20 Retained earnings		
	21 Adjustments to shareholders' equity (attach sch.)		
	22 Less cost of treasury stock		
	23 Total liabilities and shareholders' equity		

Part IV Reconciliation of Income (Loss) per Books With Income per Return

1	Net income (loss) per books	0.	6	Income recorded on books this year not included on this return (itemize)	
2	Federal income tax per books		7	Deductions on this return not charged against book inc this yr (itemize)	
3	Excess of capital losses over capital gains		8	Income (page 1, line 24). Enter the sum of lines 1 through 5 less the sum of lines 6 and 7	0.
4	Income subject to tax not recorded on books this year (itemize)				
5	Expenses recorded on books this year not deducted on this return (itemize)				

Form **4562**Department of the Treasury
Internal Revenue Service**Depreciation and Amortization**
(Including Information on Listed Property)▶ See separate instructions.
▶ Attach to your tax return.

OMB No. 1545-0172

2004**67**

Name(s) shown on return

Tacna Water Management Company

Identifying number

20-5811082

Business or activity to which this form relates

Form 1120

Part I Election To Expense Certain Property Under Section 179**Note:** If you have any listed property, complete Part V before you complete Part I.

1	Maximum amount. See instructions for a higher limit for certain businesses.	1	\$102,000.
2	Total cost of section 179 property placed in service (see instructions).	2	
3	Threshold cost of section 179 property before reduction in limitation.	3	\$410,000.
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-.	4	
5	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions.	5	
6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost
7	Listed property. Enter the amount from line 29.	7	
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7.	8	
9	Tentative deduction. Enter the smaller of line 5 or line 8.	9	
10	Carryover of disallowed deduction from line 13 of your 2003 Form 4562.	10	
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instrs.).	11	
12	Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11.	12	
13	Carryover of disallowed deduction to 2005. Add lines 9 and 10, less line 12.	13	

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.**Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.)**

14	Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions).	14	
15	Property subject to section 168(f)(1) election (see instructions).	15	
16	Other depreciation (including ACRS) (see instructions).	16	

Part III MACRS Depreciation (Do not include listed property.) (See instructions)**Section A**

17	MACRS deductions for assets placed in service in tax years beginning before 2004.	17	
18	If you are electing under section 168(i)(4) to group any assets placed in service during the tax year into one or more general asset accounts, check here.		

Section B — Assets Placed in Service During 2004 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only — see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property						
c 7-year property						
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs		S/L	
h Residential rental property			27.5 yrs	MM	S/L	
i Nonresidential real property			27.5 yrs	MM	S/L	
			39 yrs	MM	S/L	

Section C — Assets Placed in Service During 2004 Tax Year Using the Alternative Depreciation System

20a Class life					S/L	
b 12-year			12 yrs		S/L	
c 40-year			40 yrs	MM	S/L	

Part IV Summary (see instructions)

21	Listed property. Enter amount from line 28.	21	
22	Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations — see instructions.	22	
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs.	23	

2004

Federal Statements

Page 1

Tacna Water Management Company

20-5811082

Statement 1
Form 1120-A, Line 22
Other Deductions

Management Fee.....	\$	27,916.
Total	\$	<u>27,916.</u>

Statement 2
Form 1120-A, Part II, Question 2
50% or More Owners

Name : Donald W. Kelland
ID Number : 526-44-5368
Percentage Owned : 100.00%

Arizona Corporation Income Tax Return (Short Form)

2004

120A

For taxable year beginning 1/01/2004, and ending 12/31/2004

Mail to: Arizona Department of Revenue, PO Box 29079, Phoenix AZ 85038-9079

CHECK ONE:

Calendar year ☒ Fiscal year ☐

Business telephone number 928-341-9885	Please Type or Print	Name Tacna Water Management Company	Employer identification number (EIN) 20-5811082
Business activity code number (from federal Form 1120)		Number and street or PO Box 2993 S. Arizona Avenue	AZ withholding tax number
221000		City, or town, state, and ZIP Code Yuma, AZ 85364	AZ transaction privilege tax number

(68) Check box if: ☐ This is a first return ☐ Name change ☐ Address change

FOR DOR USE ONLY

A Is FEDERAL return filed on a consolidated basis? ☐ Yes ☒ No

If yes, list EIN of common parent from consolidated return.

NOTE: Use Form 120 to file an ARIZONA consolidated return. Taxpayers cannot use Form 120A to file an Arizona consolidated return.B Is this the corporation's final ARIZONA return? ☐ Yes ☒ NoIf yes, check one: Dissolved ☐ Withdrawn ☐ Merged/Reorganized ☐

List EIN of the successor corporation, if any.

(81)

(66)

(82) CHECK BOX IF:
Federal extension used to file return. 82 F ☐

Arizona Taxable Income Computation

1	Taxable income — per attached federal return.	1	0.
2	Additions to taxable income — from page 2, Schedule A, line A13.	2	
3	Total taxable income — add lines 1 and 2.	3	0.
4	Subtractions from taxable income — from page 2, Schedule B, line B13.	4	
5	Adjusted income — subtract line 4 from line 3.	5	0.
6	Arizona basis net operating loss carryforward — attach computation schedule.	6	
7	Arizona taxable income — subtract line 6 from line 5.	7	0.

Arizona Tax Liability Computation

8	Enter tax. Tax is 6.968 percent of line 7 or fifty dollars (\$50), whichever is greater.	8	50.
9	Tax from recapture of tax credits — from Form 300, Part II, line 25.	9	
10	Subtotal — add lines 8 and 9.	10	50.
11	Clean Elections Fund Tax Reduction. Check this box to send \$5 to the fund and reduce the tax (line 10) by \$5. Enter the amount of the tax reduction. 11A <input checked="" type="checkbox"/>	11	5.
12	Nonrefundable tax credits — from Form 300, Part II, line 48.	12	
13	Credit type — enter form number for each nonrefundable credit claimed. 13 3 3 3 3 3	13	
14	Tax liability — subtract the sum of lines 11 and 12 from line 10.	14	45.
15	Clean Elections Fund Tax Credit. SEE INSTRUCTIONS BEFORE COMPLETING THIS LINE.	15	
16	Tax liability after Clean Elections Fund tax credit — subtract line 15 from line 14.	16	45.

Tax Payments

17	Refundable tax credits — see instructions.	17	
18	Credit type — enter form number for each refundable credit claimed. 18 3	18	
19	Extension payment made with Form 120EXT. See instructions.	19	
20	Estimated tax payments — see instructions.	20	
21	Total payments — see instructions.	21	0.

Computation of Total Due or Overpayment

22	Balance of tax due — If line 16 is larger than line 21, enter balance of tax due. Skip line 23.	22	45.
23	Overpayment of tax — If line 21 is larger than line 16, enter overpayment of tax.	23	
24	Penalty and interest.	24	
25	Estimated tax underpayment penalty — If Form 220 is attached, check box. 25A <input type="checkbox"/>	25	
26	Donation to Citizens Clean Elections Fund — see instructions.	26	
27	TOTAL DUE — payment must accompany return.	27	45.
28	OVERPAYMENT — see instructions.	28	
29	Amount of line 28 to be applied to 2005 estimated tax.	29	
30	Amount to be refunded — subtract line 29 from line 28.	30	

Schedule A – Additions to Taxable Income

A1	Total federal depreciation.....	A1	
A2	IRC Section 179 expense in excess of allowable amount.....	A2	
A3	Federal income tax refunds received in the taxable year — <i>see instructions</i>	A3	
A4	Taxes based on income paid to any state (INCLUDING ARIZONA), local governments or foreign governments.....	A4	
A5	Interest on obligations of other states, foreign countries, or political subdivisions.....	A5	
A6	Special deductions claimed on federal return.....	A6	
A7	Federal net operating loss deduction claimed on federal return.....	A7	
A8	Commissions and other expenses paid or accrued to a Domestic International Sales Corporation (DISC).....	A8	
A9	Capital investment by qualified defense contractor — <i>attach schedule</i>	A9	
A10	Claim of right adjustments — <i>attach schedule</i>	A10	
A11	Additions related to Arizona tax credits — <i>attach schedule</i>	A11	
A12	Other additions to federal taxable income — <i>attach schedule</i>	A12	
A13	Total — <i>add lines A1 through A12. Enter total here and on page 1, line 2</i>	A13	

Schedule B – Subtractions From Taxable Income

B1	Recalculated Arizona depreciation — <i>see instructions</i>	B1	
B2	Basis adjustment for property sold or otherwise disposed of during the taxable year — <i>see instructions</i>	B2	
B3	Adjustment for IRC Section 179 expense not allowed.....	B3	
B4	Dividends received from 50% or more controlled domestic corporations.....	B4	
B5	Foreign dividend gross-up.....	B5	
B6	Dividends received from foreign corporations.....	B6	
B7	Dividends received from a DISC.....	B7	
B8	Interest on U.S. obligations.....	B8	
B9	Agricultural crops charitable contribution.....	B9	
B10	Capital investment by qualified defense contractor — <i>attach schedule</i>	B10	
B11	Claim of right adjustments — <i>attach schedule</i>	B11	
B12	Other subtractions from federal taxable income — <i>attach schedule</i>	B12	
B13	Total — <i>add lines B1 through B12. Enter total here and on page 1, line 4</i>	B13	

Schedule C – Additional Information

- C1 Date business began in Arizona 1/01/2002
- C2 Address at which tax records are located for audit purposes: _____
Corporation
- C3 The taxpayer designates the individual listed below as the person to contact to schedule an audit of this return and authorizes the disclosure of confidential information to this individual. (See instructions)
Name and title Donald W. Kelland, President Phone number 928-341-9885
- C4 List prior taxable years for which a federal examination has been finalized _____

NOTE: ARS Section 43-327 requires the taxpayer, within ninety days after final determination, to report these changes under separate cover to the Arizona Department of Revenue or to file amended returns reporting these changes. (See instructions)

- C5 Amount of Arizona taxable income for prior taxable year (2003 Form 120A, line 7)..... None
- C6 Indicate tax accounting method: Cash ☒ Accrual ☐ Other ☐ (Specify method) _____

Certification

The following certification must be signed by one or more of the following officers (president, treasurer, or any other principal officer).

Under penalties of perjury, I (we), the undersigned officer(s) authorized to sign this return, declare that I (we) have examined this return, including the accompanying schedules and statements, and to the best of my (our) knowledge and belief, it is a true, correct and complete return, made in good faith, for the taxable year stated pursuant to the income tax laws of the State of Arizona.

Please
Sign
Here

Officer's signature	President	Date
Officer's signature	Title	Date

**Paid
Preparer's
Use Only**

Preparer's signature	12/18/06	Date
Misenhimer, Aivazian & Tennant, P.C.	86-0920831	Preparer's TIN
Firm's name (or preparer's, if self-employed)		
PO Box 5693	85366-5693	ZIP code
Yuma, AZ		
Firm's address		

12/31/04

2004 Federal Depreciation Schedule

Page 1

Tacna Water Management Company

20-5811082

No.	Description	Date Acquired	Date Sold	Cost/ Basis	Bus. Pct.	Cur 179 Bonus	Special Depr. Allow.	Prior 179/ Bonus/ Sp. Depr.	Prior Dec. Bal. Depr.	Salvage /Basis Reductn.	Depr. Basis	Prior Depr.	Method	Life	Rate	Current Depr.
Form 1120																
Machinery and Equipment																
1	Utility Plant	1/01/91		121,057				121,057			0		200DB	HY	7	0
				121,057	0		0	121,057	0	0	0	0				
Total Machinery and Equipment																
Total Depreciation				121,057	0		0	121,057	0	0	0	0				
Grand Total Depreciation				121,057	0		0	121,057	0	0	0	0				

2004

Federal Income Tax Summary

Page 1

Tacna Water Management Company

20-5811082

	2004	2003	Diff
INCOME			
Gross receipts less returns/allowance....	27,916	22,862	5,054
Gross Profit.....	27,916	22,862	5,054
Total income.....	27,916	22,862	5,054
DEDUCTIONS			
Other deductions.....	27,916	22,862	5,054
Total deductions.....	27,916	22,862	5,054
TAXABLE INCOME			
Taxable income.....	0	0	0
TAX COMPUTATION			
Income tax.....	0	0	0
Total tax.....	0	0	0
PAYMENTS AND CREDITS			
Total payments and credits.....	0	0	0
REFUND OR AMOUNT DUE			
Overpayment.....	0	0	0
Tax due.....	0	0	0
SCHEDULE L			
Beginning Assets.....	0	0	0
Beginning Liabilities & Equity.....	0	0	0
Ending Assets.....	0	0	0
Ending Liabilities & Equity.....	0	0	0
TAX RATES			
Marginal tax rate.....	0.0%	0.0%	0.0%

2004

Federal Balance Sheet Summary

Page 1

Tacna Water Management Company

20-5811082

ENDING ASSETS

Total Assets.....

ENDING LIABILITIES & EQUITY

Total Liabilities and Equity.....

2004**Arizona Income Tax Summary****Page 1**

Tacna Water Management Company

20-5811082

	2004	2003	Diff
FEDERAL INCOME			
Federal taxable income.....	0	0	0
ADDITIONS			
Total additions.....	0	0	0
SUBTRACTIONS			
Total subtractions.....	0	0	0
Adjusted income.....	0	0	0
ARIZONA TAXABLE INCOME			
Arizona taxable income.....	0	0	0
TAX AND CREDITS			
Tax.....	50	50	0
Clean elections fund reduction.....	5	5	0
Tax liability.....	45	45	0
REFUND OR TAX DUE			
Balance of tax due.....	45	45	0
Total due.....	45	45	0
Overpayment.....	0	0	0
Refunded.....	0	0	0
TAX RATES			
Marginal tax rate.....	6.968%	6.968%	0.000%